

he call you to make the appointment?

A. He requested Mr. Lynn to have me come and talk to him.

Q. You went down in response to his request rather than going down voluntarily?

A. That's true; otherwise I wouldn't have gone.

Q. You didn't know the purpose for which he called you?

A. I did after Mr. Lynn asked me to go down there,—I knew exactly what I was going for.

Q. That's what I want to get clear, whether or not the State Auditor's office were apprehensive about the status of the employees and sent you down to find out?

A. That's true.

Q. How did Governor Ferguson know you were apprehensive and call you to come down?

A. Because Mr. Lynn talked to him the day before about the same subject.

Senator Purl: All right, that's all.

A substitute to the motion to adjourn until ten o'clock tomorrow morning was offered by Senator Sanderford that the Committee of the Whole request the Senate for permission to recess until 10:30 a. m., Friday, February 24th, 1933, which substitute was duly carried.

### THIRTIETH DAY.

Senate Chamber,  
Austin, Texas,  
February 24, 1933.

The Senate met at 10 o'clock a. m., pursuant to adjournment, and was called to order by Lieutenant Governor Edgar E. Witt.

The roll was called, a quorum being present, the following Senators answering to their names:

Beck.	Murphy.
Blackert.	Neal.
Collie.	Oneal.
Cousins.	Pace.
DeBerry.	Parr.
Duggan.	Patton.
Fellbaum.	Poage.
Greer.	Purl.
Holbrook.	Rawlings.
Hopkins.	Redditt.
Hornsby.	Regan.
Martin.	Russek.
Moore.	Sanderford.

Small.  
Stone.  
Woodruff.

Woodul.  
Woodward.

Prayer by the Chaplain.

Pending the reading of the Journal of yesterday, the same was dispensed with on motion of Senator Woodward.

### Committee Reports.

(See Appendix.)

### Bills and Resolutions.

By Senator Woodul:

S. J. R. No. 18, Proposing an amendment to Section 21, Article 4 of the Constitution of the State of Texas fixing the salary of the Secretary of State; providing for its submission to the voters of the State of Texas as required by the Constitution, and making an appropriation therefor.

Read and referred to Committee on Constitutional Amendments.

By Senator Duggan:

S. J. R. No. 19, Proposing amendment to Section 5 of Article 7 of the Constitution of the State of Texas; providing for its submission to the voters of the State of Texas as required by the Constitution, and making appropriation therefor.

Read and referred to Committee on Constitutional Amendments.

By Senator Duggan:

S. J. R. No. 20, Proposing an amendment to Article 5 of the Constitution of Texas by adding thereto Section 30 providing that the Legislature may, by general law, provide for complete forms of county organization and government different from that provided for in Article 5 of the Constitution of the State of Texas, to become effective in any county when submitted to the qualified voters thereof in an election held for such purpose and approved by a majority of those voting thereon; providing for its submission to the voters as required by the Constitution and making an appropriation therefor.

Read and referred to Committee on Constitutional Amendments.

By Senator Holbrook:

S. B. No. 287, A bill to be entitled "An Act making an appropriation to be paid out of the General Revenue Fund of the State of Texas the sum of One Thousand, Three Hun-

dred Thirty-two and 42-100 (\$1,332.42) Dollars, not otherwise appropriated, to cover taxes due by the State of Texas to the Freeport Independent School District covering the years from 1928 to 1932, inclusive; and declaring an emergency."

Read and referred to Committee on Finance.

By Senator Holbrook:

S. B. No. 288, A bill to be entitled "An Act making an appropriation to be paid out of the General Revenue Fund of the State of Texas the sum of Twelve Thousand, Eight Hundred and Ninety-six Dollars and eleven cents (\$12,896.11), not otherwise appropriated, to cover taxes due by the State of Texas to Brazoria County, covering the years 1929 to 1932, inclusive; and declaring an emergency."

Read and referred to Committee on Finance.

By Senator Holbrook:

S. B. No. 289, A bill to be entitled "An Act making appropriations out of the Sand, Shell and Gravel Fund of this State to pay certain refunds of the tax collected by the Game, Fish, and Oyster Commission on sand, shell and gravel used by counties, cities and towns for constructing streets and roads; and declaring an emergency."

Read and referred to Committee on Finance.

By Senator Hornsby:

S. B. No. 290, A bill to be entitled "An Act amending Article 2326b, Title 42, Acts 1929, Forty-first Legislature of the State of Texas by changing the manner and amount of the salary of official shorthand reporters in each judicial district in any county which alone constitutes two or more judicial districts and declaring an emergency."

Read and referred to Committee on Civil Jurisprudence.

By Senator Woodul (by request):

S. B. No. 291, A bill to be entitled "An Act to amend Article 555, Title 2 of the Revised Penal Code, Revision of 1925, and repealing all laws and parts of laws in conflict therewith; and declaring an emergency."

Read and referred to Committee on Banks and Banking.

By Senator Woodul:

S. B. No. 292, A bill to be entitled "An Act to amend Article 2832, Title 49, of the Revised Civil Statutes of 1925, as amended by S. B. No. 47, approved August 12, 1931, and repealing all laws and parts of laws in conflict therewith; and declaring an emergency."

Read and referred to Committee on Educational Affairs.

By Senator Woodul:

S. B. No. 293, A bill to be entitled "An Act to permit any person, firm or corporation who is indebted to the State of Texas for bonus or rentals or bonus or rentals, or interest on deferred consideration on lands coming under the terms of Article 5367 to 5379, inclusive, of the Revised Civil Statutes of 1925, commonly known as the Relinquishment Act, to have credited on the indebtedness of such person, firm or corporation, any sums paid the State of Texas for which said person, firm or corporation received no consideration as set out in Section 1 of said Act, and to permit said person, firm or corporation to plead as offset in any suit by the State of Texas to recover bonus and rentals, such sums paid the State of Texas for which they received no consideration as set out in Section 1 of said Act; and declaring an emergency."

Read and referred to Committee on Public Lands and Land Office.

By Senator Woodul:

S. B. No. 294, A bill to be entitled "An Act to abolish the office of Clerk of the Criminal District Court of Harris County, and to transfer the duties of said office to the Clerk of the District Court of Harris County; providing for the delivery of all supplies, furniture and fixtures of any kind or character belonging to said office to the Clerk of the District Court of Harris County, and fixing the effective date of this act."

Read and referred to Committee on Criminal Jurisprudence.

By Senator Parr:

S. B. No. 295, A bill to be entitled "An Act to regulate the sale of insecticides and fungicides, prohibiting their adulteration, misbranding or misrepresentation, forbidding the use of certain materials, providing for the collection and analysis of samples, statements of sales and shipments, the expenses of the enforce-

ment of the law, fixing penalties for its violation, and declaring an emergency."

Read and referred to Committee on Criminal Jurisprudence.

By Senator Beck:

S. B. No. 296, A bill to be entitled "An Act to amend Chapter 97, of the General Laws of the Forty-second Legislature, Regular Session, regulating the production, sale, dispensation and other traffic in narcotic drugs as defined herein; making exception; providing for the identification of said drugs and the containers thereof and for the execution of prescriptions and orders therefor; providing for the confinement, treatment and parole of persons addicted to such drugs; providing for the making of reports by persons affected by this act; providing for the revocation of the licenses of physicians for violating the provisions hereof; regulating the planting, cultivating and use of drug-producing plants and declaring as common nuisances places resorted to by drug addicts and prohibiting the visiting of such places; providing for the seizure of conveyances of said drugs; providing generally the means and method of enforcement and for the prosecution and confinement of persons violating the provisions hereof; providing for presumptions and burden of proof; prescribing offenses, fines, penalties and punishment; providing for the adoption of rules and regulations and for the enforcement of certain provisions by the State Board of Health and the State Health Officer and for the seizure of drugs; repealing all laws and parts of laws in conflict therewith, and declaring an emergency."

Read and referred to Committee on Criminal Jurisprudence.

By Senator Russek:

S. B. No. 297, A bill to be entitled "An Act exempting owners of farm trucks, farm tractors, farm trailers, farm semi-trailers, and implements of husbandry from the requirement that every owner of a motor vehicle, trailer or semi-trailer, used or to be used upon the public highways of this State shall register the same and from the requirement that said owners obtain a chauffeur's license; defining certain terms as used herein and declaring an emergency."

Read and referred to Committee on State Highways and Motor Traffic.

By Senator Moore:

S. B. No. 298, A bill to be entitled "An Act to prevent any State employee, agent or representative, of any State department, bureau, board or commission, educational, eleemosynary or penal institution or court, having or holding any financial interest, directly or indirectly in any business of any kind or character, any boarding house, rooming house, restaurant, cafe, hotel, cafeteria; agricultural, horticultural, poultry, livestock or other similar business patronized by the State of Texas, by students enrolled in State educational institutions, by inmates in State eleemosynary or penal institutions, by faculty members and/or other employees of educational, eleemosynary and/or penal institutions or State departments wherever located; providing for removal of offenders of this Act, and declaring an emergency."

Read and referred to Committee on State Departments and Institutions.

By Senator Moore:

S. B. No. 299, A bill to be entitled "An Act amending Article 7065 of the Revised Statutes of 1925, as amended by Chapter 93, Acts of the Regular Session of the Fortieth Legislature and further amended by Chapter 88, Acts of the Second Called Session of the Forty-first Legislature, 1929, the latter Act being more specifically designated as H. B. No. 6, Second Called Session of the Forty-first Legislature, regulating the distribution of automobile license fees by allocating said fees to certain counties, and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senators DeBerry, Poage and Small:

S. B. No. 300, A bill to be entitled "An Act to amend Sections 7 and 8 of Chapter 13, Acts of the Third Called Session of the Forty-second Legislature; making an appropriation of moneys deposited to the credit of the County and Road District Highway Fund up to September 1, 1935, for application on the payment of principal, interest and sinking fund on eligible obligations of the county and road districts of

the State maturing from September 1, 1933 to September 1, 1935, making appropriation to defray the expenses incident to the administration of said Act; providing for the payment of all sinking funds on eligible issues into the State Treasury, providing for the investment of such funds and purchase of bonds by the Board of County and Road District Indebtedness; and declaring an emergency."

Read and referred to Committee on State Highways and Motor Traffic.

By Senator Rawlings:

S. B. No. 301, A bill to be entitled "An Act amending Article 2919, Revised Civil Statutes of Texas, 1925, relating to free kindergartens, and repealing all laws and parts of laws in conflict herewith, and declaring an emergency."

Read and referred to Committee on Educational Affairs.

By Senator Redditt:

S. B. No. 302, A bill to be entitled "An Act repealing Articles 7324 and 7325, Revised Civil Statutes of Texas 1925, relating to notices to owners of real property having delinquent taxes due thereon, and declaring an emergency."

Read and referred to Committee on Criminal Jurisprudence.

By Senator Regan:

S. B. No. 303, A bill to be entitled "An Act authorizing the board of directors of any water improvement district or water control and improvement district within the State to remit, in whole or in part, the penalties and interest on all ad valorem taxes levied by such districts that are now delinquent and/or past due and unpaid, and which are paid on or before December 31, 1933, and declaring an emergency."

Read and referred to Committee on Mining, Irrigation and Drainage.

By Senator Regan:

S. B. No. 304, A bill to be entitled "An Act to amend Article 2350 of Title 44 of the Revised Civil Statutes of the State of Texas, 1925, as amended by act of the Thirty-ninth Legislature, Regular Session, Chapter 135, Section 1, and as amended by Act of the Fortieth Legislature, page 435, Chapter 490, Section 1, and as amended by Act of the Fortieth Legislature, First Called Session, page 138, Chapter 46, Section 1, relating to salaries of county

commissioners; repealing all laws, both general or special, and parts of laws, both general or special, in conflict herewith, and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Martin:

S. B. No. 305, A bill to be entitled "An Act providing that certain Confederate widows shall be entitled to Confederate widows' pensions, and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Martin:

S. B. No. 306, A bill to be entitled "An Act amending Chapter 40, General and Special Laws, Second Called Session, Forty-second Legislature, 1931, and Chapter 271, General Laws, Regular Session, Forty-second Legislature, 1931, by abolishing the Board of Mineral Development; vesting all the rights, powers, duties and obligations heretofore vested in said Board of Mineral Development in the Commissioner of the General Land Office of the State of Texas; abolishing the Mineral Development Fund created by Sub-section 8 of Chapter 40, General and Special Laws, Second Called Session, Forty-second Legislature; and providing for deposit of income from leases issued under the provisions of Chapter 40, General and Special Laws, Second Called Session, Forty-second Legislature in the Permanent School Fund, and declaring an emergency."

Read and referred to Committee on State Departments and Institutions.

By Senator Purl:

S. B. No. 307, A bill to be entitled "An Act providing that no life insurance company organized under the laws of any state other than the State of Texas, or organized under the laws of any foreign country, may reinsure the entire outstanding business of any solvent life insurance company organized under the laws of this State or acquire, either directly or indirectly, all or substantially all of the assets of any solvent insurance company organized under the laws of this State; repealing all laws in conflict; and declaring an emergency."

Read and referred to Committee on Insurance.

By Senator Small:

S. B. No. 308, A bill to be entitled "An Act permitting a transfer of any claim held by the State of Texas or any county, municipality or taxing district thereof, and directing the issuing of a certificate evidencing such transfer, and giving to the owner or holder thereof the same priority of lien and remedies for enforcing said tax claim as where held by the State of Texas or any county, municipality or taxing district thereof prior to such transfer; providing that the person, firm or corporation requesting the issuance of such certificate of transfer shall be estopped from asserting any invalidity in the levying or assessing of the tax for which it is issued, or any proceedings relating thereto; providing for methods of payment of said certificates; providing for the fees of certain officers in connection with the application of the provisions of this Act; providing that the invalidity of any part of this act shall not affect the remaining portions thereof; repealing all laws and parts of laws inconsistent herewith, and declaring an emergency."

Read and referred to Committee on State Affairs.

#### Privileges of the Floor.

Senator Patton received unanimous consent for the privileges of the floor to be extended to certain A. & M. students.

#### Message from the Governor.

Executive Department.

Austin, Texas, Feb. 23, 1933.

To the Texas State Senate.

Gentlemen:

I have been officially informed by Hon. Bob Barker, Secretary of the Senate, that the confirmation of Hon. F. L. Denison of Bell County for member of the State Highway Commission has been rejected.

I have requested Hon. Bob Barker to inform me of the vote upon said confirmation; that is, how many votes were for confirmation and how many votes against. Mr. Barker informs me that he is not permitted under the rules of the Senate to give this information.

I therefore, respectfully request of the Senate the information on the vote for confirmation; that is, I will thank you to inform me of how many votes were cast for confirmation and how many were cast against the said

F. L. Denison of Bell County, Texas, for State Highway Commissioner.

Respectfully submitted,

MIRIAM A. FERGUSON,

Governor of Texas.

The message was read.

Senator Woodward moved to refer the message to the Committee on Rules.

Senator Sanderford moved as a substitute that the Senate comply with the request of the Governor and give the desired information immediately.

Senator Woodward raised the point of order that the message must go to the Committee on Rules because it involved a change of the rules, and that the matter could not be discussed in open session because in involved action contrary to certain action which was taken in executive session yesterday.

The Chair, Lieutenant Governor Edgar Witt, held that the substitute motion was out of order in open session because it involved action which must be discussed in executive session because of certain action taken in executive session yesterday.

The motion to refer the message to the Committee on Rules prevailed.

#### Pages Excused.

On motion of Senator Woodul permission was granted to all Senate pages, who so desired, to be excused at 3 p. m. today for a ball game between the pages of the House and the Senate.

#### S. C. R. No. 21.

Senator Woodward sent up the following resolution:

Whereas, On or about January 1, 1931, G. B. White and B. White, residents of Tom Green County, Texas, the said G. B. White and B. White constituting the firm of White Brothers, entered into a written contract with the State Highway Commission of the State of Texas for the construction of, building, grading and small drainage structures on Job 200-K, F. A. P. 600 B in Coleman and Runnels Counties, Texas, on State Highway No. 23; and

Whereas, The said G. B. White and B. White, contractors, undertook and did perform the work contemplated and as provided in said contract; and,

Whereas, A dispute has arisen between said contractors and the State Highway Commission of the State of Texas, as to the amount of solid rock in connection with said contract and a dispute has arisen in reference to liquidated damages assessed against the said G. B. White and B. White by way of penalties; and,

Whereas, The amount involved is estimated to be approximately \$35,000.00 which amount the said contractors claim as their damage and as to the amount to which they are entitled over and above the amount paid by said State Highway Commission; and,

Whereas, Said dispute cannot be adjusted as between the parties and a necessity exists for the settlement thereof in a court of competent jurisdiction; now, therefore, be it

Resolved by the Senate of Texas, the House of Representatives concurring, That the said G. B. White and B. White be and they are hereby granted permission and given authority to institute a suit against the State of Texas and/or against the State Highway Commission of the State of Texas, in a court of competent jurisdiction in order to determine and settle the differences, if any, between the parties arising out of and in connection with the aforesaid contract between the parties.

The crowded condition of the calendar and the importance of the subject matter of the resolution hereinabove set forth, creates an emergency and an imperative public necessity requiring the suspension of the constitutional rule requiring bills to be read upon three separate days in each House, and the said rule is hereby suspended, and this resolution take effect and be in force from and after its passage, and it is so enacted.

WOODWARD.

Read and referred to Committee on State Highways and Motor Traffic.

#### Messages From the House.

Hall of the House of Representatives,  
Austin, Texas, Feb. 24, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following bills and resolutions:

H. C. R. No. 13, Granting permission to the Central Supply Company, Incorporated, Dallas, Texas, to sue the State for damages.

H. C. R. No. 16, as amended, Granting permission to Mrs. Agatha Harris to sue the State for damages.

H. C. R. No. 19, Granting permission to S. G. Burnett and others to sue the State.

H. C. R. No. 25, Granting permission to Cage Brothers to bring suit against the State Highway Department.

H. C. R. No. 26, Granting permission to Heuermann and Miller to bring suit against the State Highway Department.

H. C. R. No. 32, Proposing to send a committee to Washington, D. C., to appear before the Reconstruction Finance Corporation.

S. C. R. No. 20, Providing for a joint session of the Senate and House at 11 o'clock a. m. on April 21, 1933, for the purpose of accepting the portrait of General Henry T. Allen, and providing for a committee to make the arrangements for said ceremonies.

S. C. R. No. 18, as amended, Relative to the cabinet of President-elect Franklin D. Roosevelt.

The House has concurred in Senate amendments to H. B. No. 415, by a vote of 107 yeas and 2 nays.

Respectfully submitted,

LOUISE SNOW PHINNEY,  
Chief Clerk, House of Representatives.

Hall of the House of Representatives,  
Austin, Texas, Feb. 24, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following bills:

S. B. No. 30, A bill to be entitled "An Act providing for storage of wild game birds, or wild game animals in public cold storage plants; defining such public cold storage plants; requiring the keeping of records of such stored game; providing the time when such game may be placed on storage; providing for inspection of record books and public cold storage plants where game may be stored; providing suitable penalties and declaring an emergency."

S. B. No. 116, A bill to be entitled "An Act amending Section 5, Chapter 4, of the Acts of the Forty-first Legislature, First Called Session, relating to vital statistics; and declaring an emergency."

S. B. No. 141, A bill to be entitled "An Act to repeal an Act of the

Forty-second Legislature, Regular Session, 1931, being H. B. No. 915, Chapter 158, of the Special Laws of Texas, making it unlawful for any person in using a seine or net for the taking of any fish in Cass or Bowie Counties to disturb, agitate, or beat upon, or in, the waters at the time of using said seines or nets; fixing a penalty; and declaring an emergency."

S. B. No. 135, A bill to be entitled "An Act relating to the salaries of all State officers and all State employees, except judges of the district and all appellate courts, judges of the Supreme Court Commission of Appeals, judges of the Commission in Aid of the Court of Criminal Appeals, Attorney General and those constitutional State officers whose salaries are specifically fixed by the Constitution; repealing all laws and parts of laws in conflict herewith, and declaring an emergency."

S. B. No. 13, A bill to be entitled "An Act declaring certain water improvement districts to have, and expressly conferring upon such districts, power to contract loans, borrow money or sell securities under certain conditions; etc., and declaring an emergency."

S. B. No. 136, A bill to be entitled "An Act making appropriations out of the Sand, Shell and Gravel Fund of this State to pay certain refunds of the tax collected by the Game, Fish and Oyster Commission on sand, shell and gravel used by counties, cities and towns for constructing streets and roads; and declaring an emergency."

Respectfully submitted,  
LOUISE SNOW PHINNEY,  
Chief Clerk, House of Representatives.

#### House Resolutions Referred.

H. C. R. No. 32, referred to Committee on Contingent Expenses.

H. C. R. No. 13, referred to Committee on State Affairs.

H. C. R. No. 16, referred to Committee on State Affairs.

H. C. R. No. 19, referred to Committee on State Affairs.

H. C. R. No. 25, referred to Committee on State Affairs.

H. C. R. No. 26, referred to Committee on State Affairs.

#### H. C. R. No. 5 Re-referred.

On motion of Senator Oneal, H. C. R. No. 5 was withdrawn from the

Committee on Civil Jurisprudence and was re-referred to the Committee on State Highways and Motor Traffic.

#### H. B. No. 168.

The question recurred upon H. B. No. 168.

#### Committee Change.

Senator Patton announced his resignation from the Committee on Game and Fish.

The Chair appointed Senator Regan to succeed Senator Patton on the committee.

#### Adjournment.

Senator Poage moved to adjourn until 10 o'clock tomorrow morning in order that the Senate might resolve itself into a Committee of the Whole to continue the hearing relative to the Highway Department.

Senator Purl moved that the Senate grant the request of the Committee of the Whole and adjourn until 10 o'clock Monday morning and convene the Committee of the Whole immediately. The motion prevailed and at 10:34 o'clock a. m. the Senate adjourned.

### APPENDIX.

#### Committee Reports.

Committee Room,  
Austin, Texas, Feb. 22, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Educational Affairs, to whom was referred

S. B. No. 24, A bill to be entitled "An Act to repeal Chapter 97, Senate Bill No. 18, Acts of the Regular Session of the 41st Legislature; and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass.

NEAL, Chairman.

### SUPPLEMENT—(Continued.)

Friday, February 24, 1933.

The Committee of the Whole met at 10:30 a. m., pursuant to the recess of this hearing, whereupon the following proceedings were had:

The Chair: The Committee will please be in order. Let every one take his place. Who will you have for your next witness?

Senator Martin: I was interrogating Mr. Carter I thought, when we adjourned.

Senator Stone: I understood that they had somebody in here who was an expert witness on bond values, and that they wanted to get through with him so that he could go on home. Mr. Carter is here all the time and he can be gotten any time.

The Chair: Senator Martin, do you know whether your man who has been waiting here to testify is ready or not?

Senator Martin: Yes, sir, he is.

The Chair: Had you rather use him now, so that he can leave town?

Senator Martin: Yes, sir, I had.

The Chair: Well, if you had rather use him now, we will take him now and let the other witness wait until he gets through.

Senator Martin: All right. Do we have to swear this witness or not?

The Chair: Yes, sir. You do solemnly swear that the testimony you shall give in the matter of the Committee of the Whole in the State Senate of Texas shall be the truth, the whole truth, and nothing but the truth, so help you God?

The Witness: I do.

Senator Purl: Mr. Chairman.

The Chair: The Senator from Dallas.

Senator Purl: Before they start with the testimony of this witness, I want to call attention to an error in the proceedings that I think in justice to myself and all parties concerned ought to be corrected.

The Chair: Is there any objection? State your proposition please.

Senator Purl: The other morning when I was reading from the Forum, I read there in the Forum where it said no wonder the Senate is fighting the appointment of good men to high office; I was reading from the Forum, but the Reporter had it as coming from me, and I want to correct the Journal to show that I was reading an extract from the Forum and that it was not my statement, and a little later in the proceedings this morning, I will take time to give you the book and page number, so that it can be corrected.

The Chair: Senator, can you submit that in writing so that there will be no controversy about it?

Senator Purl: Yes sir, I will do so.

The Chair: Proceed with the examination of this witness.

Mr. J. W. Sutton, after having been sworn in due form, testified as follows:

Questions by Senator Martin.

Q. What are your initials Mr. Sutton?

A. J. W.

Q. J. W. Sutton?

A. Yes, sir.

Q. Where do you now reside?

A. Houston.

Q. How long have you resided in Houston, Texas?

A. About five years.

Q. Are you or not a licensed lawyer?

A. I am.

Q. Where did you get your training?

A. Lebanon, Tennessee.

Q. Where were you reared?

A. Bell County.

Q. Did you or not ever hold any public office in Bell County?

A. I did.

Q. What office?

A. County judge.

Q. How long were you county judge of Bell County?

A. Six years.

Q. What is your occupation now?

A. The bond business.

Q. You say the bond business?

A. Yes, sir.

Q. What do you mean by that?

A. Well, at the present time I am servicing bonds for an insurance company.

Q. Doing what?

A. Servicing bonds for an insurance company.

Q. Have you or not been in any other kind of bond business?

A. For five years I have bought and sold bonds for H. C. Burt.

Q. For five years you have bought and sold bonds for H. C. Burt?

A. For H. C. Burt.

Q. While you were in the office of county judge of Bell County did or not the position you occupied there require of you to give thought or attention to the value of municipal bonds or any other kind of bonds?

A. Quite a bit.

Q. After you left there, you went to work with H. C. Burt and



Company of Houston, Texas, buying and selling bonds?

A. Well, I went to the Valley and stayed there nine months and then went with them.

Q. You went to the Valley?

A. Yes, sir, for nine months.

Q. Were you or not engaged in the handling of bonds or bond matters in the Valley; for the nine months you were there?

A. No, sir.

Q. After being in the Valley nine months you went with H. C. Burt and Company in Houston, Texas?

A. Yes, sir.

Q. Have you or not continued in the bond business since that time?

A. Yes, sir.

Q. What are the facts with reference to whether or not your business during the time you were county judge of Bell County and since that time has been such that you are at this time able to testify as to the market value of different bonds in the State of Texas?

A. I am; I think so; that is, I will say what they will sell for.

Q. I understand that you have reference to the market value; the statutes, if I understand them correctly, set the value of all bonds, that is, at par, by stating that they shall not be sold for less than that?

A. Yes, sir.

Q. That is, by the section of the State, county or municipality executing the bonds?

A. Quite right.

Q. Now, since this matter of bonds has been under inquiry here or at any time immediately prior thereto, have you had occasion to examine the bonds that have been listed as being held in trust by the American National Bank here under the escrow agreement between the Security Trust Company, the county commissioners of different counties involved, and the Highway Department?

A. Yes, sir, three different times.

Q. You mean to say then that you have investigated them as many as three different times?

A. Yes, sir.

Q. Do you or not have a list at this time of the bonds that are now alleged to be in escrow with the American National Bank?

A. I have a list of those that are supposed to be there; I don't know whether it is correct or not.

Q. I wish you would look for the list you have. What are the facts with reference to whether or not on that list you have there you have Andrews County?

A. Yes, sir.

Q. Listed under the heading of Andrews County, you find the City of Burkburnett 6% refunding bonds, \$6,000 have you had occasion to investigate the value of those bonds?

A. What they would sell for?

Q. I mean to say the market value. What value have you learned that those bonds have now upon the market?

Senator Woodward: Mr. Chairman, we object to that form of question; if they seek to establish the value of those bonds by this witness, then I insist that they confine him to the rule as to the reasonable market value of those bonds and not just what have you found to be their value?

Q. (By Senator Martin) All right, I withdraw the question and will re-frame it to meet the objection. Mr. Sutton, what is the reasonable cash market value of those bonds, that is, the City of Burkburnett 6% Refunding Bonds, that is mentioned here in this schedule?

A. Twenty to twenty-five cents.

Q. Now, when you say from twenty to twenty-five cents, you mean on the dollar?

A. Yes, sir.

Q. All right, take the second item, Cameron County 5% Road Bonds, \$3,000.

A. They were worth about forty or forty-five cents.

Q. Forty or forty-five cents on the dollar now?

A. What I mean by that, that's approximately what you could buy them for in the open market.

Q. In other words, you could go out in the open market at this time and buy those particular bonds for that amount. Now, then, coming on down, and assuming that I have asked you the statutory questions that have to be propounded with reference to cash market value with reference to all of those bonds in that particular list, we will take Dickens County 6% General Fund-ing Warrants, \$5,000.00?

A. Approximately 70 cents.

Q. Hidalgo County 6% W.C.I.D. No. 6 bonds, \$40,000?

A. About thirty cents.

Q. What does W.C.&I.D. mean?

A. Water Control and Improvement District.

Q. Liberty County 5% Road Bonds \$1,000?

A. They are worth about 65 cents.

Q. City of Mineola 5% Waterworks Bonds, \$1,500?

A. Seventy-five cents. Now, if you will let me explain this, the maturity of a bond has lots to do with what you could get for it in the open market, and the dates of maturity are not given in this schedule.

Senator Woodward: I object to the witness volunteering testimony, and suggest that he confine himself to the questions asked.

Q. (By Senator Martin) I will ask him now to explain how you arrive at the fact that these bonds are worth the cash market values that you have mentioned here?

A. That depends on the maturity date of each bond, the tax debt, and the past debt of the issuing municipality and the legality of it.

Q. In passing upon market value of these bonds, you take into consideration those matters?

A. Yes, sir.

Q. All right, City of Muleshoe 6% Funding Warrants, what is the value of these warrants?

A. About fifty.

Q. Navarro County Road District No. 7 Bonds?

A. About seventy.

Q. City of O'Donnell 6% Funding Warrants?

A. About sixty.

Q. Panola County 5% Road Bonds?

A. Fifty to sixty.

Q. San Patricio County Road District 5 Bonds?

A. Sixty-five.

Q. Stonewall County 6% Funding Warrants?

A. About sixty.

Q. Willacy County 6% W. D. 1 Bonds?

A. About thirty.

Q. What is that Stonewall County W. T. S. stand for?

A. Refunding warrants.

Q. W. I. D., what does that mean?

A. Water Control.

Q. Is it water control or water improvements?

A. Water improvements.

Q. Zapata County 6% P.I. Bonds, \$9,000, what is that?

A. That is permanent improvements, it is warrants, about fifty.

Q. Now, under the next heading, Bell County, have you had occasion to investigate and ascertain the cash market value of those bonds?

A. Yes, sir.

Q. I find in the first schedule Liberty County 5% road bonds, twenty-five thousand, what are they worth?

A. About sixty-five.

Q. City of Corpus Christi 5% Funding Bonds?

A. Forty to forty-five.

Q. Live Oak County 5% road bonds?

A. About sixty.

Q. Does your schedule have Bowie County?

A. Yes, sir.

Q. I find listed in Hidalgo County 6% W. D. No. 6 bonds, twenty-one thousand.

A. About thirty.

Q. What does that sixty-five W. I. D. No. 6 mean?

A. Water Improvement District.

Q. Does your list show Colorado County?

A. Yes, sir.

Q. Colorado County 6% permanent improvement bonds, twenty-three thousand, what is the value of those?

A. Fifty to sixty.

Q. Does that mean permanent improvement bonds?

A. Yes, sir.

Q. Concho County, does your list give that?

A. Yes, sir.

Q. What is the value of the bonds of Cameron County Irrigation Dist. No. 1 Bonds?

A. About twenty.

Q. City of Childress 6% street imp. warrants, five thousand?

A. About sixty.

Q. City of Donna 6% waterworks warrants?

A. Ten to fifteen cents.

Q. I didn't get your answer there; what did you say was the value?

A. Ten to fifteen cents.

Q. Thirty-five thousand dollars worth of bonds, you place the cash market value of those at this time from ten to fifteen cents?

A. Yes, sir.

Q. Hidalgo County Irrigation Dist. No. 1 bonds?

A. About twenty to twenty-five.

Q. The same thing again, Hidalgo County Water Dist. No. 3 Bonds?

A. About the same price.

Q. Willacy County Water District No. 1 Bonds?

A. About thirty.

Q. Does your schedule give Gaines County?

A. Yes, sir.

Q. Under that heading first is City of Donna 6% waterworks warrants?

A. The same price, ten to fifteen cents.

Q. Hidalgo County water district No. 12 bonds?

A. They are not worth anything.

Q. City of Megargel 5½% Funding Bonds?

A. About seventy.

Q. Willacy County water district No. 1 bonds, forty thousand?

A. About thirty.

Q. Wood County 6% road bonds, twenty thousand?

A. About sixty.

Q. Does your schedule have Liberty County?

A. Yes, sir.

Q. I notice here Willacy County water district No. 1 bonds, forty thousand?

A. About thirty.

Q. Lipscomb County, does your list give that?

A. Yes, sir.

Q. City of Bowie 6% street imp. warrants?

A. About sixty-five.

Q. What is the difference between a warrant and a bond?

Q. Quite a difference: a warrant you don't have to vote, and these bonds you do have to vote.

Q. Which would you say have the greatest value on the market?

A. The bonds, of course.

Q. The bonds?

A. Yes, very much more.

Q. Briscoe County 5% R. H. S. bonds?

A. Seventy.

Q. What does that R. H. S. mean?

A. Rural High School.

Q. Cameron County 6% water district 5 bonds?

A. Twenty-five.

Q. Kimble County 6% R. and B. warrants?

A. About eighty.

Q. What does R. and B. mean?

A. Road and Bridge funding warrants.

Q. City of Kirbyville 6% bonds, waterworks bonds, four thousand?

A. About seventy.

Q. LaSalle and McMullen Counties 6% W. D. No. 1 bonds?

A. About twenty or twenty-five.

Q. Motley County 6% funding warrants?

A. About fifty.

Q. City of Muleshoe 6% sewer warrants?

A. About fifty.

Q. Pecos County 5% water district No. 1 bonds?

A. Forty to fifty.

Q. City of Ranger 6% street equipment warrants?

A. About twenty-five.

Q. City of Trinity 6% fire apparatus warrants, three thousand?

A. About twenty.

Q. Willacy County 6% W. D. No. 1 bonds, thirty-five thousand?

A. About thirty.

Q. Does your list give Live Oak County?

A. Yes, sir.

Q. All right, I find Cameron County 6% W. D. No. 3 bonds, eight thousand?

A. About thirty-five.

Q. Cameron County 6% W. D. No. 5 bonds, five thousand?

A. About the same.

Q. City of Hermleigh 6% waterworks warrants, seven thousand?

A. Nothing.

Q. Where is that?

A. It is out in West Texas, the city is not even incorporated.

Q. Hidalgo 7% W. D. 4 notes, five thousand?

A. About twenty.

Q. What is that?

A. Water notes issued by the municipality.

Q. Would the municipality have the authority to issue a note?

A. I don't know about that.

Q. About those notes, I didn't get your answer.

A. I don't know whether they had the legal authority or not. I would not attempt to pass on that.

Q. Dallas Joint Stock Land Bank Bonds?

A. I would pass all of those bonds at about forty-five.

Q. They are quoted each day?

A. Yes, sir.

Q. Houston Joint Stock Land Bank Bonds?

A. About the same price.

Q. Shelby County 5 ½ % road and bridge funding bonds?

A. About fifteen.

Q. City of West University Place 6% waterworks bonds, seven thousand.

A. About forty to fifty.

Q. Willacy County 6% water district No. 1 bonds, seventy-five thousand, what are they worth?

A. About thirty.

Q. Does your list give Madison County?

A. Yes, sir.

Q. San Antonio Joint Stock Land Bank bonds, two thousand.

A. About forty-five.

Q. Are they too listed every day.

A. Yes, sir.

Q. City of Spearman 5 ½ % funding bonds, twenty thousand, what are they worth?

A. About sixty.

Q. Trinity County 5 ¼ % road bonds?

A. About fifty.

Q. Matagorda County, does your list give that county?

A. Yes, sir.

Q. Karnes County 5% road district 7 bonds, eighty-five thousand?

A. About seventy.

Q. Liberty County 5% road district 4 bonds, thirty-three thousand?

A. Sixty-five.

Q. Liberty County 5% road district 4 bonds, twenty-nine thousand?

A. Sixty-five.

Q. Montgomery County 5 ½ % road and bridge funding bonds, four thousand?

A. About eighty.

Q. Does your list give Pecos County?

A. Yes, sir.

Q. Atascosa County 5 ½ % road and bridge funding bonds?

A. About seventy-five.

Q. Bell County 5% road district 5 bonds?

A. About eighty-five.

Q. City of Bowie 6% street improvement bonds, one thousand?

A. Sixty-five.

Q. Cameron County 6% water district 3 bonds, six thousand?

A. Thirty-five.

Q. Childress County 6% funding warrants, two thousand?

A. Seventy.

Q. City of Corpus Christi 5% street bonds?

A. Eighty.

Q. Fort Stockton I. S. D. 6% voucher, fifteen thousand?

A. About forty.

Q. What does that I. S. D. mean?

A. Independent School District.

Q. 6% voucher, what is the difference between a voucher, a bond and a warrant?

A. A voucher is issued by a school board for supplies or something like that.

Q. Would you say the school board of an independent school district had the right to issue an interest bearing voucher?

A. I don't know, I wouldn't pass on that.

Q. Gaines County 6% funding warrants, five thousand?

A. About sixty.

Q. City of Goose Creek 6% sewer warrants, eight thousand?

A. About sixty.

Q. City of Gruver 6% sewer warrants.

A. About fifty.

Q. Harris County 5% school district bonds?

A. About seventy.

Q. Henderson County 5% road district 8 bonds?

A. About seventy-five.

Q. Hidalgo County 6% road and bridge warrants, one thousand?

A. Fifteen to twenty.

Q. Hidalgo County 6% tick eradication warrants, two thousand?

A. About the same.

Q. What is a tick eradication warrant?

A. A warrant issued for tick eradication.

Q. By the county?

A. Yes, sir.

Q. Would the county have the authority to issue such a warrant?

A. I wouldn't say.

Q. Dallas Joint Stock Land Bank bonds 5%?

A. About forty-five.

Q. Are they quoted each day?

A. Yes, sir.

Q. City of Kenedy 5 ½ % funding bonds, one thousand?

A. Seventy.

Q. Leon County 6% bridge warrant, five thousand?

A. About sixty.

Q. City of Levelland 5 ½ % sewer bonds?

A. About sixty.

Q. Liberty County I. S. D. vouchers, four thousand?

A. About seventy-five.

Q. Liberty County 6% court-house funding bonds, thirty-one thousand?

A. About seventy.

Q. City of Littlefield 6% funding warrants, twenty thousand?

A. About seventy.

Q. Orange County 5 ½ % road and bridge funding bonds?

A. About sixty to sixty-five.

Q. Panola County 5 ½ % road bonds?

A. Sixty-five.

Q. Pecos County 5 ½ % road bonds, nineteen thousand?

A. About eighty.

Q. City of Port Arthur 5% bridge bonds?

A. About sixty.

Q. Sabine County 5 ½ % road bonds?

A. About forty.

Q. Sabine County 6% funding warrants, four thousand?

A. About the same.

Q. Sabine County 5% road district 9 bonds?

A. About forty.

Q. City of Sinton 5 ½ % waterworks bonds?

A. About seventy.

Q. City of Slaton 6% waterworks bonds?

A. About seventy.

Q. City of Sulphur Springs 5% Auditorium warrants, eleven thousand?

A. Seventy-five.

Q. City of Sulphur Springs 6% funding warrants?

A. About seventy-five.

Q. City of Three Rivers 6% waterworks bonds?

A. About seventy.

Q. City of West University Place 5 ½ % funding bonds?

A. About sixty.

Q. That City of Sulphur Springs funding warrant, would you or not care to pass on whether a city had authority to issue interest bearing warrants?

A. I think they did have.

Q. Wichita Falls I. S. D. 4 ½ % school district bonds?

A. About seventy.

Q. Wichita County 6% water dist. No. 1 bonds, fifteen thousand?

A. About twenty.

Q. On that fifteen thousand dollars you would say about twenty per cent?

A. Yes, sir.

Q. Willacy County 6% water district No. 1 bonds, one hundred and forty-one thousand?

A. About thirty.

Q. City of Yoakum 5% hospital bonds?

A. About eighty.

Q. Zapata County 6% Road and Bridge warrants?

A. Fifty.

Q. Does your list give Reagan County?

A. Yes, sir.

Q. City of Archer City 8% funding warrants?

A. About forty.

Q. Cameron County 6% Irrigation No. 1 bonds?

A. About forty.

Q. Cameron County 6% Water District 5 bonds?

A. About twenty.

Q. Chambers County 5% Road District 2 bonds?

A. About sixty.

Q. Dallas County 6% Levee District 5 bonds?

A. About seventy.

Q. Donna Irrigation 6% bonds?

A. Twenty.

Q. City of Donna 6% refunding bonds?

A. Ten to fifteen.

Q. Gaines County 6% Courthouse and jail warrants?

A. About sixty.

Q. City of Goose Creek 6% Street warrants?

A. About fifty.

Q. Hidalgo County 6% Water District 5 bonds?

A. Twenty to twenty-five.

Q. Karnes County 5% Road District 1 bonds?

A. About seventy.

Q. City of Levelland 5 ½ % Waterworks bonds?

A. Fifty.

Q. Liberty County 5% Road bonds?

A. About sixty-five.

Q. Liberty County 5% Road District 4 bonds?

A. Sixty-five.

Q. Montgomery County 5 ½ % Funding warrants?

A. Eighty.

Q. City of Port Arthur 5% Waterwork bonds?

A. About fifty.

Q. City of Port Neches 6% Improvement warrants?

A. About fifty.

Q. City of San Marcos 5½% School bonds?

A. Eighty to eighty-five.

Q. Titus County 6½% Funding warrants?

A. About seventy-five.

Q. City of Trinity 6% Funding warrants?

A. Sixty.

Q. City of White Deer 5% Paving bonds?

A. About sixty-five.

Q. Willacy County Water District No. 1 bonds?

A. About thirty.

Q. Now, does your list give Refugio County?

A. Yes, sir.

Q. Bell County 5% Road District No. 9-A bonds?

A. About eighty-five.

Q. Brewster County 5½% Road refunding bonds, \$3,000.00?

A. About eighty.

Q. Cameron County 6% Water District 15 bonds?

A. About ten.

Q. About ten?

A. Yes.

Q. Camp County 5% Road District 1 bonds?

A. About sixty.

Q. City of Childress 6% Treasury warrants?

A. Sixty.

Q. What is a Treasury warrant?

A. That was a warrant issued by the Treasurer to someone who done work and it was registered and became an interest bearing warrant.

Q. Cottle County 5% Road bonds?

A. About sixty.

Q. City of Crosbyton 6% Funding warrants?

A. About seventy.

Q. Dayton Independent School District 5% bonds?

A. About seventy.

Q. City of Dublin 5% Waterworks?

A. About eighty.

Q. City of Edna 6% Waterworks bonds?

A. About eighty.

Q. City of Fayetteville 5½% Waterworks bonds?

A. About eighty-five.

Q. City of Goose Creek 6% Waterworks warrants?

A. About fifty.

Q. Henderson County 5% Road District 1 bonds?

A. About seventy.

Q. Hopkins County 5% Road bonds?

A. About seventy.

Q. Dallas Joint Stock Land Bank bonds 5%?

A. All of those, about forty-five.

Q. That is Dallas Joint Stock Land Bank, San Antonio Joint Stock Land Bank and the Joint Stock Land Bank?

A. Yes, sir.

Q. All about 45%?

A. Yes, sir.

Q. Karnes County 5% Road District 1 bonds?

A. About seventy.

Q. Karnes County 5½% Road District 7 bonds?

A. Seventy.

Q. Kemp County 5% Road District 7 bonds?

A. Fifty.

Q. Madison County 5% Road bonds?

A. Sixty.

Q. City of Monahans 6% Waterworks bonds?

A. Fifty.

Q. Montgomery County 6% Funding warrants?

A. About eighty.

Q. Neuces County 5% Navigation District No. 1 bonds?

A. About seventy.

Q. City of O'Donnell 5½% Funding bonds?

A. Sixty-five.

Q. City of Pasadena 6% Waterworks and Sewer bonds?

A. About sixty-five.

Q. City of Pasadena 6% Sewer bonds?

A. About sixty-five.

Q. Refugio County 5½% Road bonds?

A. About eighty.

Q. City of Robert Lee 6% Waterworks bonds?

A. Sixty-five.

Q. Sabine County 5% Road District No. 3 bonds?

A. About seventy.

Q. San Jacinto County 5½% Road bonds twice?

A. About fifty.

Q. San Patricio County 5% Road District Bonds and 5½% Road Dis-

trict 5 bonds, San Patricio County twice?

A. About sixty, sixty-five.

Q. Somervell County Road bonds?

A. About seventy.

Q. City of Spur 5% Waterworks bonds?

A. Seventy-five.

Q. Stonewall County 6% Funding warrants?

A. About seventy.

Q. City of Thorndale 5½% Waterworks bonds?

A. About seventy-five.

Q. Trinity County 5½% road bonds?

A. About fifty.

Q. Tyler County 5½% road district No. 2 bonds?

A. Seventy-five to eighty.

Q. Your list gives San Jacinto County?

A. Yes, sir.

Q. Under that City of Pharr 5% funding bonds, \$52,000.00?

A. About fifty cents.

Q. Does your list give Tyler County?

A. Yes, sir.

Q. Aransas County 6% permanent improvement bonds?

A. About seventy.

Q. Franklin County 6% funding warrants?

A. About sixty.

Q. City of La Porte 6% street improvement bonds?

A. About sixty.

Q. Tyler County 5½% road district 2 bonds?

A. About seventy-five.

Q. Does your list give Van Zandt County?

A. Yes, sir.

Q. Van Zandt County, under that Willacy County 6% water district No. 1 bonds?

A. About thirty.

Q. Does your list give Wheeler County?

A. Yes, sir.

Q. Briscoe County 5% R. A. S. bonds?

A. About seventy-five.

Q. Bronte 6% independent school district bonds?

A. About sixty-five or seventy.

Q. What is Bronte?

A. A town.

Q. Cameron County 5% road bonds, listed three times?

A. The first one about forty and the others forty and fifty.

Q. All three about forty?

A. Forty to fifty.

Q. The total amount. Hidalgo County, three times, the first one \$78,000.00, the next \$4,000.00 and the next \$5,000.00,—what do you value those at?

A. The first one thirty, the second about twenty or twenty-five and the third one about twenty.

Q. Kimball County 6% road and bridge funding warrants?

A. Seventy-five.

Q. Motley County 6% bridge repair bonds?

A. About seventy-five.

Q. Nolan County 5% road district 1 bonds?

A. Seventy-five.

Q. Orange County 5% common school district 20 bonds?

A. About seventy-five.

Q. What does C. S. D. stand for?

A. Common school district.

Q. City of Spearman 5½% funding bonds?

A. About seventy-five.

Q. City of Sulphur Springs 5½% funding warrants?

A. About seventy-five.

Q. Wheeler County 4% jail bonds?

A. About sixty.

Q. Willacy County 6% Water district No. 1 bonds?

A. About thirty.

Q. Does your list give Wood County?

A. Yes, sir.

Q. Cameron County 6% irrigation 1 bonds?

A. About forty.

Q. City of Lometa 6% sewer warrants?

A. About forty.

Q. About forty?

A. Yes, sir.

Q. City of Paducah 5½% street warrants?

A. About sixty.

Q. Sabine County 5½% road bonds?

A. Seventy.

Q. Shelby County 6% funding warrants?

A. Ten to fifteen.

Q. City of Spur 6% waterworks bonds?

A. Seventy-five.

Q. San Patricio County 4¾% road district 5 bonds?

A. Sixty.

Q. City of Stamford 5½ % water supply bonds?

A. About sixty-five.

Q. Willacy County 6% Water District No. 1 bonds?

A. About thirty.

Q. Mr. Sutton, have you had occasion to take each one of these counties and make an average of the bonds, that is, the cash market value of these bonds at this time?

A. Runs anywhere from forty to fifty cents.

Q. You have done that?

A. Yes, sir.

Q. And the average runs what?

A. About forty to fifty cents.

Q. You have found it that way in each one of these counties?

A. Yes, sir,—well, taking the list as a whole.

Q. Taking the list as a whole?

A. Yes, sir.

Q. All right. Have you or not made calculations of each individual county?

A. No, sir, I did not.

Q. By taking the entire list as a whole you have found the average to be what?

A. Forty to fifty.

Q. Forty to fifty cents?

A. Yes, sir.

Q. Have you had occasion to call upon the American National Bank and examine these bonds and warrants?

A. No, sir, I have not.

Q. You are only giving your testimony from the list furnished, and you don't know what they have down there?

A. No, sir.

Q. Can you state here whether or not these are the original bonds placed in escrow or whether or not there have been any substitutions?

A. I do not know.

Q. Don't know anything about that?

A. No.

Q. All you know about this is that you as a bond man have gone over this list of bonds and estimated their value?

A. Yes, sir.

Q. And in estimating the value you take into consideration what matters?

A. The legality, the net debt, tax rate and whether or not they have ever defaulted,—whether they

are in default at the present time.

Q. In passing upon these bonds did you or not investigate the legality of the bonds or assume they were all legal?

A. I just assumed they were all legal.

Q. Did you go and get a transcript and get anybody to pass on the transaction?

A. No, sir.

Q. As a bond man do you or not confine yourself to buying and selling bonds when in that business, and at this time handling bonds for the insurance company, or did you yourself as attorney undertake to pass upon the legality of the transaction?

A. I did not.

Q. You did not?

A. No, sir.

Senator Martin: Take the witness.

Questions by Senator Woodward.

Q. Mr. Sutton, who did you say you represented?

A. Equitable Life Insurance Company of Iowa.

Q. And how long were you with Burt and Company?

A. About five years.

Q. When did you cease your employment with them?

A. About four months ago,—five.

Q. That is a bond buying institution?

A. Yes, sir.

Q. And you purchased bonds for them?

A. Yes, sir.

Q. And were with them five years up until about five months ago?

A. Yes, sir, four or five.

Q. Did you as a representative of that company make any bids on any of these bonds at the time they were offered for sale?

A. Yes, sir.

Q. Which ones?

A. San Patricio.

Q. Where is that here?

A. In Andrews County; that's at the top in Andrews County.

Q. What county was it?

A. Andrews County, the very first one.

Q. What was it?

A. San Patricio County.

Q. That's San Patricio County?



A. Yes, sir.  
 Q. All right. What others?  
 A. Liberty County.  
 Q. That's in—  
 A. (Interrupting) The same one.  
 Q. All right.  
 A. Colorado County.  
 Q. Under what heading is that, Andrews?  
 A. No, sir, that's down in Colorado County.  
 Q. All right, you bid on those?  
 A. Yes, sir.  
 Q. All right.  
 Senator Stone: Bought those or bid on them?  
 A. Bought them.  
 Q. You are stating the ones you bought?  
 A. No, sir.  
 Q. I want those the same as those you bid on,—those you bid on and those you bought. Now, Liberty County under Andrews County, you bid on those?  
 A. Yes, sir.  
 Q. And San Patricio County, did you bid or buy?  
 A. Bought those.  
 Q. All right. Now, Colorado County?  
 A. Bought those.  
 Q. All right?  
 A. Pecos County. Wait a minute, take that back, Hermleigh, bought that.  
 Q. What is that, under what county?  
 A. Live Oak.  
 Q. And you bought the Hermleigh?  
 A. Yes, sir.  
 Q. You bought those?  
 A. Yes, sir. West University Place, bought those.  
 Q. All right.  
 A. Karnes County. That's down in Matagorda.  
 Q. In Matagorda?  
 A. Yes, sir.  
 Q. You bought those?  
 A. Yes, sir.  
 Q. All right.  
 A. And Bell County. No, wait a minute, Goose Creek, under Pecos.  
 Q. Goose Creek?  
 A. Yes, sir, bought those.  
 Q. Now wait a minute.  
 A. Under Pecos County.  
 Q. All right.  
 A. Now, there is quite a few on here that the company bought that

I didn't buy personally,—some of the other men bought them.

Q. Well, without going through this entire list, now, then, there are some of these bonds or warrants that you as a representative of Burt & Company purchased?

A. Yes, sir.

Q. All right. Beginning with the Liberty County bonds, what did you pay for them?

A. We didn't buy the Liberty bonds, just bid.

Q. Well, under Andrews, you mentioned Liberty County 5% road bonds?

A. Yes, sir, we just bid on them.

Q. What did you bid on them?

A. As I recall about ninety-one.

Q. What did you bid on them?

A. As I recall ninety-one.

Q. In San Patricio County road bonds, you bought those, what did you pay for them?

A. Ninety-eight.

Q. And Colorado County permanent bonds?

A. We paid par.

Q. Par?

A. Yes, sir.

Q. The City of Hermleigh, what did you pay for them?

A. Seventy.

Q. You paid seventy?

A. Yes, sir.

Q. The City of West University Place, you bought those. What did you pay for them?

A. Ninety-five.

Q. And Karnes County 5½% road district bonds, what did you pay for them?

A. As I recall it ninety-two and one-half.

Q. I believe that is as far as we went. No, the City of Goose Creek?

A. We paid ninety.

Q. Now, Mr. Sutton, these bonds you have just mentioned as having bid for or bought, were at the time of their issuance?

A. Yes, sir.

Q. Were they at that time worth approximately the amount you bid?

A. We thought so.

Q. And you understand that these bonds that you have testified about are the bonds which were put up by the various counties,—I mean, were put up by the Security Trust Company?

A. I have been told. I don't know whether it is so, or not.

Q. That is the understanding, that these bonds or warrants, or whatever they were, they were placed by the Security Trust Company as security for the account of the several counties?

A. That is my understanding.

Q. You understand that?

A. Yes, sir, I don't know it.

Q. Do you know when they were placed up as security?

A. I do not.

Q. Do you know now and can you testify as to what was their reasonable market value at that time?

A. No, sir, I don't know.

Q. Then you don't know whether they were worth in the neighborhood of par at that time, or not, do you?

A. No, sir.

Q. You are testifying now as to what the market value is as of today?

A. Correct.

Q. Now, Mr. Sutton, are the several counties, or cities, or towns, against whom these bonds or warrants are outstanding the cause of or have they contributed to the loss in value of those particular securities?

A. I don't understand what you mean, Senator?

Q. I will take for example Colorado County 6% improvement bonds that you purchased and paid par. You now say they are worth fifty or sixty cents on the dollar?

A. Yes, sir.

Q. Is Colorado County at fault or has Colorado County contributed to the reduction in the value of those bonds?

A. I will say, Senator, there is a question about the legality of those bonds.

Q. We will get one where there is no question about the legality. Take San Patricio Road District bonds that you paid 98 cents, and that you value at 65 cents. Did San Patricio County contribute — — .

A. I wouldn't say that they did.

Q. Would you say that any of the counties or cities contributed to the loss in value of these bonds or securities that you have testified about?

A. Senator, I wouldn't say that, because that is largely delinquent taxes and that is the fault or the

cause which made the municipalities go into default.

Q. I understand you to say the value of these bonds has decreased since their issuance and since you made your bid by reason of the facts the people generally in these counties and elsewhere have failed to pay their taxes?

A. That is one contributing cause. Another is that people do not have the money to buy them now.

Q. Did the several counties, other than what you have mentioned, contribute to the loss in value of those bonds?

A. I wouldn't say they did.

Q. Would you say that these bonds that you testified about and their value reflects about the condition of the bond market generally?

A. No, sir.

Q. In what respect will they differ?

A. Because most of them are made up of small cities, a great portion of which are now in default. And also irrigation bonds on which there is some question as to them. For instance, you take Liberty County, there is no question about those bonds but delinquent taxes and a reduction in valuation is the cause of those dropping.

Q. Now then, what is the cause of the others on the bond market generally?

A. Just general conditions throughout the country.

Q. General conditions?

A. Throughout the whole nation.

Q. Then there has been a loss in the value of bonds generally of all classes and kinds?

A. We lost about a hundred thousand dollars.

Q. That wasn't through any bad judgment of yours, was it?

A. No, sir.

Q. And the loss in the value of these bonds about which you have testified, that does not reflect any bad judgment upon the part of the counties who issued them?

A. No, sir.

Q. Or upon the purchase of the bonds?

A. I wouldn't say it did.

Q. You wouldn't tell this Committee that at the time these bonds were purchased by the Security Trust Company that they were not worth approximately par, would you?

A. Senator, my understanding is the Security Trust Company does not own all of them.

Q. They put them up, didn't they?

A. Yes, sir.

Q. They were holding them, were they not?

A. They were supposed to.

Q. Which bonds were on this list they didn't own?

A. Some of them belonged to H. C. Burt, and various other bond houses, that they were carrying for those bond houses.

Q. And by what authority did they put them up?

A. By the permission of the bond houses.

Q. There was nothing wrong about that?

A. No, sir.

Q. They were put up with the permission of those who owned the bonds?

A. Yes, sir.

Q. They had a right to put them up as security?

A. Certainly.

Q. Did your company give authority to put up some of their bonds as security?

A. Yes, sir.

Q. Which counties did the bonds owned by Burt and Company secure in this list?

A. They are scattered through the list.

Q. I mean, which counties?

A. Some Lipscomb, some in Andrews, some in Gaines, Matagorda, Madison. You see, Senator, say for instance we had a hundred thousand dollars of Madison County bonds, maybe they would put up twenty-five thousand to secure the Bell County account, twenty-five thousand say to Concho County.

Q. I believe you said in arriving at these values you took into consideration, what?

A. The condition of the municipalities as of today—the issuing municipalities, together with the maturity dates, and what you could actually buy the bonds for in the open market.

Q. Are you in position to tell us the maturity dates of these several bonds?

A. I have it in my office at home but I do not have it here.

Q. Are you in position to tell this Committee the tax rate of those several cities, towns or counties?

A. I wouldn't attempt to without the record before me.

Q. Or as to the total outstanding indebtedness of the several counties or municipalities.

A. I could do it if I had my records here.

Q. But you can't do it now?

A. No, sir.

Q. When did you make up your list of values from which you have testified?

A. About two or three weeks ago.

Q. At whose instance?

A. The list was given me by Governor Jim Ferguson.

Q. Not Governor Miriam Ferguson?

A. No, sir.

Q. But Governor Jim Ferguson?

A. Yes, sir.

Q. Did he request you to make an estimate of their value?

A. Yes, sir.

Q. And you made him an estimate which is the same as you have testified to here today?

A. Approximately so, Senator.

Q. What counties have you listed here whose bonds are worth as much as 85 cents on the dollar?

A. Bell County.

Q. Have you listed any other county that is worth that much?

A. Yes, sir. You take Montgomery County, some of her bonds are worth eighty to eighty five cents, depending on the maturity.

Q. Any other besides Montgomery County?

A. I don't believe there is on this list.

Q. Then Bell County and Montgomery County bonds have been listed by you as being the highest of any on the list you have mentioned?

A. Yes, sir. Quite a lot of them are city bonds and not county bonds.

Q. Are there any City of Belton Bonds in here?

A. No, sir.

Q. Now, Mr. Sutton, repeating again the question, It is your understanding, and it is a fact,—we agree on that,—that these bonds or securities you have testified about representing the bonds or securities which the Security Trust Company placed with the several counties named as security for the deposits of those several counties — — —

A. (Interrupting) Senator, I don't understand it that way. I un-

derstand the bonds are deposited in one of the other banks as trustee. That is my understanding. Whether it is true, or not, I don't know.

Q. Then you do not understand you have been testifying in reference to the value of bonds which were placed by the Security Trust Company up as security for the county deposits?

A. Yes, sir, that is what I understand.

Q. That is what you understand?

A. Yes, sir.

Q. Do you understand those bonds have been placed with the American National Bank as the trustee bank?

A. Yes, sir.

Q. Now, I believe you said that you didn't know whether those bonds were worth approximately par, or not, at the time they were so placed?

A. No, sir, I do not.

Q. You are testifying to present conditions?

A. Absolutely.

Q. Now, conceding as a fact that the bond market has declined and that these bonds have declined in value as indicated by your testimony, did the State Highway Commission have anything to do with that?

A. No, sir.

Q. Were they to blame or at fault for it?

A. For the bond market going to pieces?

Q. Yes, sir.

A. No, sir, nobody is.

Q. Now, this same class and character of bonds about which you have testified are also owned by individuals scattered throughout Texas, and elsewhere?

A. All over the nation.

Q. All over the nation?

A. Yes, sir.

Q. Some of them are owned for the benefit of the schools, aren't they?

A. Yes, sir.

Q. And the State in other respects owns some of that same class and character of bonds?

A. You will find quite a list of insurance companies. In fact, my company owns a lot of them.

Q. And the same decline in price applies to those bonds the same as it does to these bonds?

A. Certainly.

Senator Woodward: That's all I care to ask him.

Senator Martin: I want to ask you one little question more.

Questions by Senator Martin.

Q. At this time, Mr. Sutton, these bonds that you have testified about their value were worth about as much in January, 1932, as they are now, were they not?

A. Well, it varied.

Q. It varied?

A. Yes, sir.

Q. What I mean—I got my question wrong—they were not worth much more in January, 1932, than they are now?

A. Not a great deal more; some thought they were worth more.

Q. Now, as a bond man, do you know of any law that would have hindered the parties interested from demanding that sufficient bonds be placed up based upon their market value to completely offset the amount that the Security Trust Company owed to the counties?

A. Some counties did require it.

Q. Some counties did require it; what counties?

A. Matagorda.

Q. Is Matagorda County mentioned in here?

A. I believe it is; yes, sir, it is.

Q. And you know that Matagorda County did demand that they place up enough bonds, based upon their cash market value at that time, to offset the amount of deposits made by the county with the Security Trust Company.

A. Yes, sir.

Q. And you don't know of any law that would have hindered any and all of them from doing that, do you?

A. I do not.

Q. You mentioned something about Bell County bonds, and what they were worth; and I believe you placed them and Montgomery County about the highest of any?

A. Yes, sir.

Q. Of all the counties; I notice here they had placed up with the American National Bank as security of their bonds or what the Security Trust Company owed them, \$25,000 Liberty County bonds; City of Corpus Christi five per cent funding bonds, \$45,000; and Live Oak County five per cent road bonds, \$1,000;

now, the Bell County bonds you say at this time are worth about how much?

A. About eighty-five, eighty to eighty-five.

Q. According to the records here, the Security Trust Company then took the Bell County bonds worth eighty or eighty-five per cent to secure bonds worth forty or forty-five?

A. Well, Liberty is worth about sixty-five or seventy, depending on the security.

Q. Now, did you, during the time that you were making an investigation of these matters ascertain as to whether or not some of the cities have failed to even make levies to pay the interest on the sinking fund? The sinking fund on those bonds?

A. Some of them did not have the valuation sufficient to levy enough to take care of that; most of them have levied their legal limit.

Q. But their valuations have so declined that they can't raise enough to pay the interest on the sinking fund?

A. Yes, sir.

Q. Did you make an investigation as to whether or not some of the school districts against which bonds have been issued have been abolished?

A. Yes, sir, but that would not affect their bonds.

Q. If the district is abolished who makes the levy?

A. The district that took it over.

Q. The district that took it over makes the levy?

A. Yes, sir.

Senator Woodward: I have a question to ask him when you are through, Senator.

Senator Martin: Just a minute—all right, go ahead.

Questions by Senator Woodward.

Q. Mr. Sutton, if you were the holder of some of these bonds, or take the average bond that you testified about here, and they had declined in value according to your estimate, what would you do about it?

A. I wouldn't sell them.

Q. Why?

A. I would wait until conditions got better.

Q. Then you wouldn't advise these counties sacrificing these bonds on the present market?

A. No, sir.

Q. Suppose that the holders of these bonds were to undertake to collect or to realize on the bonds, they would necessarily take a loss in proportion to what you have testified, wouldn't they?

A. Yes, sir.

Q. Now then, if the bonds sold for that, then the holder would have a claim against that district or county, wouldn't he?

A. Senator, that question has never been settled.

Q. Well, what would be the remedy, what would be the recourse?

A. You would have to get a mandamus to compel the municipality to make the tax levy, and set the assessed valuation.

Q. Would that be a wise thing to do in these times?

A. No, sir.

Q. Wouldn't it be disastrous to the counties and the municipalities?

A. I have two places like that now.

Q. And you, as a man dealing in bonds and understanding these securities, wouldn't undertake to do that now, would you?

A. No, sir.

Q. And isn't the reason why you would not, because it would practically force them into bankruptcy?

A. The people would be so panicky, you could never do it.

Q. Then, it would not be wise for the holder of these bonds or anyone who might have authority to enforce payment or collection of these bonds to take that kind of an action against the counties?

A. No, sir; may I explain that, Senator?

Q. Yes, sir, I would be very glad if you would.

A. Take West University Place now; we have \$350,000 of those bonds ourselves, and the city cannot levy enough taxes under the present valuations to meet the interest; to say nothing of the principal; then, if we were to go in there and bring a suit now, it would only throw the municipality into such a turmoil that we wouldn't even get the interest that we are now getting.

Q. In fact, as a business man and as a man dealing in securities and

acquainted with securities, you believe it would be disastrous to the citizenship of Texas to undertake to do a thing of that kind, don't you?

A. I think that the market would be panicky.

Q. And it would amount almost to a crime to do it?

A. You couldn't get anything for them; you couldn't get an average of twenty-five cents on them, if you would throw them all on the market today.

Q. These estimates you have given here, they are just your estimates of the value of these securities?

A. Yes, sir.

Q. And you don't mean to say that that is the exact value of them?

A. No, sir.

Q. It is just your estimate on the values and your recollection of the towns and counties and the tax rates and things of that kind?

A. Yes sir, together with what I can buy; I have been buying some of them, what I can buy of these bonds in the open market today.

Q. I believe that's all.

Questions by Senator Woodruff.

Q. Mr. Sutton, you are a former County Judge of Bell County, are you not?

A. Yes, sir.

Q. And you are fairly familiar with the statutes relating to the duties and powers of the County Judge of a given county in Texas?

A. Fairly so.

Q. Did the County Judge of any of those counties named, including Bell County, have the authority to select and approve, along with the Commissioners Court of his county, the type of securities required at the Security Bank and Trust Company to put up in trust to secure their deposit?

A. Senator, I only know of one county that did that.

Q. Well, what county was that?

A. Matagorda.

Q. If the County Judge of Bell County and the Commissioners Court of Bell County came to the Security Trust Company and opened up a deposit account, who had the legal duty and the legal authority to approve the securities placed against that account by the bank?

A. The Bell County Court.

Q. The Bell County Commissioners Court?

A. Yes, sir.

Q. If the Bell County Commissioners Court approved these bonds as being adequate security for these deposits, who, at that time had any authority to question that action?

A. No one.

Q. After they had approved the bonds placed against their deposit account by the Security Bank and Trust Company, did they have any authority under the law to demand of the Trust Company to put up additional security to meet the falling bond market?

A. I know of no law that they could force them to do it.

Q. If the bank did that for Matagorda County, it did it as an accommodation to Matagorda County purely?

A. Yes, sir.

Q. And not as a matter of legal right?

A. No, sir.

Q. Then, if Bell County and Andrews County and these other counties inquired about here failed to require Security Bank and Trust Company to put up additional collateral to meet the falling market, it was no legal—no legal—failure to do a legal duty that they were charged with doing?

A. The court was charged with it, yes, sir.

Q. Well, if they had no legal authority to make a demand of the bank for additional security —

A. No one else.

Q. And they failed to do that, then they didn't fail in any legal duty, did they?

A. I misunderstood your question. No, sir.

Q. Did the Highway Commission have anything to do with their failing to procure additional collateral?

A. Not that I know of.

Q. All right, do you have any information as to the approximate cash value of these securities as of the date that they were deposited in escrow with the American National Bank of Austin?

A. I do not, Senator.

Q. Whether or not the securities were adequate that they deposited would be determined by the market value of the bonds and securities at

the time that they were placed in trust, wouldn't they?

A. Senator, if I recall the law correctly, all the law requires is to put up equal par value; I think that's correct.

Q. But you testified here about market value?

A. Yes, sir.

Q. And the County Judge and the Commissioners Court of a given county have the legal authority to turn down these par value bonds if they want to?

A. Yes, sir.

Q. Then, if they took those bonds at their par value at the time they made the deposit, and approved them, wouldn't it be pertinent to say that they thought that was the fair market value of them as of that date?

A. I should think so.

Q. Then the thing pertinent to this inquiry is not the present market value of the bonds and securities, but the market value of them as of the date when the counties approved and accepted them as securities for their deposit?

A. I do not know, Senator; I do not know what the issue involved here is.

Q. Oh, you don't?

A. No, sir.

Q. If the issue involved is whether or not the public funds were adequately secured by those bonds inquired about, then the pertinent question would be not on their present market value, but on the market value of them at the time they were placed in trust to secure the deposit?

A. That's correct.

Q. Now, do you have any information?

A. No, sir, because I don't know when they were put up.

Q. You made no inquiry as to the market value of them as of the date they were placed in trust?

A. No, sir.

Q. Did the Highway Commission have any authority, if they had attempted to have asserted it, to object to the actions and conduct of the Commissioners Court of the several counties here in question in approving those securities?

A. No, sir; I don't know of any law.

Q. All right, after these securities were placed down there, and after the bank showed itself to be unable to meet the withdrawal demands on it by the Highway Commission, did the Highway Commission at that time have any legal authority to make demand on the Security Trust Company to put up additional securities to secure the deposit of the several counties?

A. I know of nothing.

Q. Then if the Highway Commission failed to make that demand on the Security Trust Company, it failed in no legal duty charged on it?

A. Not that I know.

Q. All right, I believe that's all.

Questions by Senator Stone.

Q. Mr. Sutton, are you familiar with the securities that are allowed to be put up for the county depository funds, the type of them?

A. Yes, sir.

Q. Are any of these securities listed in there of the type that would not be allowed under the law to be put up?

A. They are not.

Q. The whole list complies with the law so far as that phase of it is concerned?

A. Yes, sir.

Q. Now, Mr. Sutton, you said just now that some of these securities were owned by H. C. Burt and Company?

A. Yes, sir.

Q. Well, how did the Security Trust Company have those securities put up on those deposits then?

A. Because they were carrying for H. C. Burt those particular bonds.

Q. What do you mean by "carrying" for them?

A. Well, in other words, they were carrying about \$100,000 worth of bonds for H. C. Burt and the company would make them margin them down five points until such time as he could sell them out.

Q. So they have the actual bonds in their control?

A. Yes, sir.

Q. You have the legal title and they have —

A. Possession.

Q. Possession?

A. Yes, sir.

Q. Do you know whether all par-

ties interested knew of those facts when they were fixing up those contracts?

A. I do not.

Q. About what percentage of those bonds were owned by H. C. Burt?

A. Those listed here?

Q. Yes, sir.

A. About ten or fifteen per cent of them.

Q. Were the rest of them owned by other parties, or owned by the Security Trust Company, do you know?

A. I couldn't say. I don't know.

Q. Do you know whether any of this list of bonds that is shown here had been originally put up in 1932, or prior thereto, by the Security Trust Company to secure deposits?

A. No, sir, I don't know when they were put up.

Q. You said just now that after a county had once approved a bond of a depository they can make no further inquiry?

A. Oh, yes, they can do it.

Q. Isn't it their duty to keep up with that bond and see that that bond is at all time one hundred per cent secured?

A. From a business standpoint, I would say yes.

Q. Isn't it a moral and legal duty of the County Judge and the Commissioners' Court to see that that bond is at all times good?

A. Yes, sir.

Q. And having once approved a certain bond they can go back in there and demand additional security, if they think it necessary?

A. They have done it.

Q. You are testifying about the law; I am asking you if that is not the law?

A. Yes, sir.

Q. That is not only the law, but it is good business, isn't it?

A. Yes, sir.

Q. Had the county—the various counties—exercised that duty they would have required of the Security Trust Company sufficient additional bonds to where they would have been a hundred per cent protected, at all times, would they not?

A. Yes, sir.

Senator Stone: I believe that is all.

Q. (By Senator Woodruff) You testified, Mr. Sutton, that it was a

moral and legal duty of the Commissioners Court of the county to keep up with their depository account, and see that the security securing the deposit was at all times adequate?

A. I don't say it is a legal obligation. I should say it is a moral duty. I don't know of any law making them do it. But they are charged under the law of seeing that it is adequately protected.

Q. After they have made a contract with the Security Trust Company wherein they have accepted and approved certain listed securities as adequate to secure their account, do you know of any legal right they have to come back and demand that they give them additional security?

A. Not unless it is provided in the contract.

Q. On the contrary, if the contract does not take care of it they have no such legal right?

A. Not that I know of.

Q. (By Senator Sanderford) Mr. Sutton, along that same line, when the State Highway Commission takes their oath of office, or gets their commission of office, aren't they legally bound under that oath or under that commission to also properly look after and protect the moneys of the people of Texas that come through their Department?

A. I don't know what the law provides on that. I should think from a business standpoint they ought to.

Q. From a business standpoint and a moral standpoint they are, whether it is legal or not?

A. I should think so.

Q. On these escrow accounts, for instance, the county has their escrow agreement with the Security Trust Company, and has received a certificate of deposit of a certain amount down there, and the county in turn sends a warrant to the State Highway Department against that deposit; now the State Highway Department is aware of the escrow agreement it has made there, and it is aware that the county has got a certificate of deposit for a certain amount of money there. Don't you think, or wouldn't it be good business not only that they present this warrant to be cashed so they can get the money, it would not only be good business, but aren't they morally obligated to do that, to go in there and see that that money they



have accepted a check for is adequately protected at all times?

A. I don't know what the law is on that, but I would say I would do it, if I was one.

Q. You are, without a doubt, a qualified expert bond man, and there has been a message sent here alleging a million dollar loss in State highway funds. Now, on the percentage that you have appraised this list of bonds, forty to forty-five per cent, the Security Trust Company now holding over two million dollars worth of those securities in escrow; isn't it a fact that according to your own appraisal, which was arrived at through the purchase of or trading for or sale of bonds, isn't it a fact that there is at this time a million dollar loss, according to today's market in that account?

A. I don't know what the account shows.

Q. Approximately a million dollar loss on the basis that there is over two million dollars on deposit?

A. Yes, that would be correct, if you sold that stuff today.

Q. As alleged there is today, on that basis—it is just a mathematical calculation, there is a million dollar loss?

A. Taking it for granted there is two million dollars there, yes.

Q. (By Senator Woodward) Now, whose loss is that?

A. I don't know.

Q. Is that the counties' loss?

A. I wouldn't say it is or is not. I have no idea.

Q. If you say there was a loss by reason of the bonds going down, whose loss is it?

A. Whoever owns those bonds.

Q. It is their loss, isn't it?

A. Yes.

Q. Now, then, Mr. Sutton, do you know what the assets of the Security Trust Company consist of?

A. No, sir, I do not.

Q. If the Security Trust Company is indebted to any particular county for we will say a hundred thousand dollars of moneys representing a deposit, and they put up bonds that are worth forty or fifty cents on the dollar at this time, how can you say there will be a loss to anyone on this bond, or to this county, without knowing what the assets of the Security Trust Company are?

A. Just taking it for granted that the bonds are worth that.

Q. Your reply to the question of the Senator from Bell was based on the assumption that that was all of the security they had?

A. Yes.

Q. You did not take into consideration any assets owned by or controlled by the debtor company?

A. No, sir.

Senator Sanderford: I object to that question. There is nothing in this record anywhere that shows that the Security Trust Company has pledged their assets to secure these escrow agreements. It has not been done, and there has been nothing put in evidence to show it.

Senator Woodward: The witness has testified to the decrease in the value of the securities held by the several counties to secure the deposits they had with the Security Trust Company. The Senator from Bell asked him based on those values and the amount of indebtedness outstanding, if there was a loss of approximately a million dollars, and he said yes. Now then I asked him if in answering that question he took into consideration any securities or any assets of the debtor company, the Security Trust Company, in arriving at that.

The Chair: I overrule the objection.

Q. (By Senator Sanderford) You have done a good deal of business through the Security Trust Company?

A. Yes, sir.

Q. You are acquainted with Mr. Cravens?

A. Yes.

Q. When these several counties in question voted their bonds and sold them to the Security Trust Company, and the escrow agreement that have been referred to then came into being, do you know what the Security Trust Company,—what disposition they made of those bonds that those counties voted and sold to them?

A. In many instances the Security Trust Company did not own the bonds, but simply acted as a depository. The bonds belonged to some bond house, and were sold out by the bond houses, throughout the whole country.

Q. After the agreement with these counties the Security Trust Company, I understand, took a lot of these county bonds, and through their attorneys, went to Washington and negotiated a loan for three million six hundred thousand dollars through the Reconstruction Finance Corporation?

Senator Purl: There is no evidence what the Security Trust Company did with the Reconstruction Finance Corporation. There is no evidence in the record that they have gone to Washington on any matter. That is all hearsay and immaterial to this investigation. If he wants to prove they borrowed money from the Reconstruction Finance Corporation I think he is going about it in the wrong way.

Q. All right, I will change the question. Of your own knowledge do you know that the Security Trust Company has borrowed money or sold bonds to the Reconstruction Finance Corporation?

A. I do.

Q. How much was that loan?

A. I don't know the amount.

Senator Woodward: Wait a minute. We object to that question. How do you know that?

A. I was working with the Security Trust Company, trying to make some collections from Mr. Cravens, and he had a meeting and they decided to go to Washington and try to secure a loan.

Q. Do you know of your own personal knowledge that the loan was secured?

A. Mr. Cravens told me they did.

Q. You were not an official of the bank?

A. No, sir.

Senator Woodward: We object, that is hearsay and irrelevant in this transaction. It does not connect the Highway Department with it, or with anything.

Senator Sanderford: It will before this is over.

Senator Woodward: Well, make your proof first. It don't involve the Highway Department so far.

The Chair: Let's see what connection it has.

Senator Sanderford: We will get to that when we get to Mr. Cravens.

However, I will not press the question at this time.

Q. (By Senator Woodruff) With reference to whose loss the million dollar shortage you have testified about is — —

Senator Woodward: (Interrupting) He did not say there was a shortage.

Q. I will change the question. You testified the bonds were about a million dollars under the value of what the depository account called for?

A. Taking for granted there was two million dollars on deposit. I don't know whether there was that much.

Q. Assuming that the relationship between the parties in question, to-wit, the several counties, the Security Trust Company and the State Highway Department, was for the purpose of constructing highways in those counties.

A. That was the purpose, yes.

Q. And in view of the fact that the counties made the deposit with the Security Trust Company to pay its pro rata share of the cost of construction of those highways?

A. That is proper.

Q. And in view of the September, 1932, act calling upon the Highway Commission to refund to the counties all that those counties had spent on state highways, could the State Highway Commission have lost anything?

A. I don't know about how much of it was spent before that went into effect, and how much was left unspent; I wouldn't say, I don't know.

Q. Well, if it all was spent before the law went into effect, if the Highway Commission had collected off of Bell County for road construction in that county, under the September act the Highway Commission would have been compelled to refund that money to Bell County?

A. That is correct.

Q. If the Highway Commission then spent its money in Bell County and didn't get any money at all out of Bell County on the project before the effective date of the act, then the Highway Commission would be relieved of any duty of paying any money back to Bell County?

A. That is correct.

Q. And if anybody has suffered a loss it is Bell County

A. Under those conditions, yes.

Q. Wouldn't that hold true to all of the counties, if that state of affairs is applicable?

A. It would—by my opinion it would, yes.

Q. (By Senator Purl) How long were you County Judge of Bell County?

A. Eight years.

Q. Prior to that did you practice law in Bell County?

A. About a year.

Q. Then since you left Bell County as County Judge, you went to work where?

A. I attempted to practice law in Gonzales, and then went with H. C. Burt and Company.

Q. Then when did you go with the insurance company?

A. About four or five months ago.

Q. What is that company?

A. The Equitable Life Insurance Company of Iowa.

Q. Who is the president of that company?

A. I don't know. Mr. Hubble is secretary and treasurer.

Q. I say who is the president of the company?

A. I couldn't tell you. I don't know. I have not been up there.

Q. Who is treasurer?

A. Mr. Hubble.

Q. Which Mr. Hubble?

A. Fred Hubble, F. W.

Q. The Equitable Life Insurance Company—do you know when it was incorporated?

A. No, sir.

Q. Do you know in what states they are authorized to do business?

A. Not in Texas.

Q. I say do you know what states they are authorized to do business in?

A. No, sir.

Q. Do you know what their assets are?

A. About one hundred and thirty-three million dollars, according to the January statement.

Q. They have no authority to do business in Texas at this time?

A. No, sir.

Q. Do they buy bonds in Texas?

A. Yes, sir.

Q. Have they got a permit from the Secretary of State to do that?

A. They don't have to have a permit to buy bonds.

Q. Is Mr. Burt—what is the style of that firm?

A. H. C. Burt and Company.

Q. Is it incorporated?

A. I think he is now.

Q. Do you know when he was incorporated?

A. No, sir, I don't.

Q. Is that the same Mr. Burt that when we had a hearing on the Board of Education there was a lot of talking about him buying or selling bonds indirectly through the Board of Education; that is, buying school bonds?

A. Yes, sir.

Q. Have you had any dealings with the Board of Education?

A. For Mr. Burt, when I was with Mr. Burt.

Q. That is the same Mr. Burt?

A. Yes, sir.

Q. Do you know what Mr. Burt's assets are?

A. Nothing.

Q. Isn't he loaded up with bonds like the Security Trust Company?

A. Yes, sir.

Q. Now, as a matter of fact with all kindness to all concerned—

A. (interrupting) Wait a minute, I say that with due respect.

Q. I say with all kindness and due respect in this day of depression, Mr. Burt has a bond office in Houston, has he not?

A. Yes, sir.

Q. And the Security Trust Company in Austin?

A. Yes, sir.

Q. And to certain degrees they are similar companies?

A. Mr. Burt has no banking privileges.

Q. With the exception that Mr. Burt has no banking privileges I say they are somewhat similar companies?

A. Yes, sir.

Q. And both Mr. Burt and the Security Trust Company at Austin have what is commonly termed frozen assets?

A. Quite right.

Q. Now, if there should be a forced sale of Mr. Burt's securities and the securities of the Security Trust Company they would both be in terrible condition?

A. Certainly would.

Q. Both would?

A. Yes, sir.

Q. Now on these bonds, I understood you to say that you made

three calculations on them. Wasn't that what you stated, something of that kind?

A. Three different times.

Q. In the last few days?

A. No, sir, about—the first time about two months ago?

Q. And then the next time?

A. I would say about a month ago.

Q. And then the last time?

A. About a week or ten days ago.

Q. In the last instance the calculation was made for James E. Ferguson?

A. Yes, sir.

Q. And in the other two instances you were endeavoring to ascertain their value as a bond merchant?

A. Yes, sir, so I would know where the bonds were and what they are.

Q. And the figures you have given us are the result of which one of the calculations?

A. Well, I would say I figured more closely about ten days ago.

Q. Now, this Equitable Life Insurance Company has its office in Iowa?

A. Correct.

Q. How much insurance did you say they have in force?

A. I am in the finance department and I don't know.

Q. You don't know how much they have invested in farm loans in Iowa?

A. No, sir, I do not.

Q. Do you know how much they have invested in foreign bonds?

A. No, sir, I know nothing about anything except Texas bonds.

Q. Do you know they have fifty million in farm loans in Iowa and five million in other states and cities?

A. No, sir.

Q. How much in Texas?

A. About three million.

Q. How much have you purchased for them of that three million?

A. About one hundred thousand.

Q. You expended about one hundred thousand dollars for the bond purchase. Then those bonds you have talked about here, outside of the depression situation,—in other words, are the bonds you bought any better than those here?

A. Yes, sir, they are because I didn't buy any city bonds.

Q. You bought county bonds?

A. Yes, sir.

Q. Do you recognize as a bond authority that Poor's Government and Municipal Section Blue Book is an authority?

A. They will not tell you that they are today.

Q. But you would consider they are as near an authority on the information you have given with reference to the securities in the Security Trust Company as you?

A. Under normal conditions.

Q. Now, you would consider them just about as authentic with all classes of security as well as your opinion?

A. Not the 1930 book, no.

Q. 1931?

A. No, in 1932 you will find the list much lower.

Q. If this committee wanted to get a fair appraisal of the value of these bonds, both at the time they were purchased and put in the files of the Security Trust Company and the present day value what outside disinterested authority would you recommend?

A. I would get some outside appraiser for an insurance company who had experience in municipal bonds.

Q. Would you recommend one for us that you would consider an authority in order that we might see how your figures and his coincide or differ?

A. I think M. H. Smith of Dallas; however, he is a State man.

Q. The questions have been asked you and I want to ask you just this final one: Based on your connection with Mr. Burt's Company and the Security Trust Company, I believe you stated that both of them have bonds that are good, but are just frozen up and they can't get what they are worth?

A. That's correct.

Q. That's the situation all over the United States?

A. All over the United States.

Q. There never was a time since our reconstruction days that the bond market has been in a more perilous condition than now?

A. No, sir.

Q. Then regardless of whether the counties or the Highway Department had the control of the placing of those bonds with the Security Trust Company considering

the circumstances of the risk since then, can you name one person in this world who had any control over that situation?

A. That's correct.

Q. Then if you received a message that there was a million dollars shortage, a million dollar loss, or a million dollars shrinkage that would be merely one phase of the financial situation in Texas at this time?

A. That is what I would say.

Q. If you were a member of the Texas Senate and such a statement came up here—

Senator Sanderford: (Interrupting) That's not pertinent here.

Q. As an expert on bonds—

Senator Sanderford: (Interrupting) I raise the question and object to that, Mr. Chairman.

The Chair: I don't think you can ask this man a hypothetical question as to what he would do under a certain state of facts.

Senator Purl: I have got the right to ask him his opinion.

The Chairman: Let's frame the question and see. As an expert on bonds if such a message came to you in your official capacity as a State Senator what significance would you give to it based on your knowledge of the bond market today?

Senator Martin: I want to object to that, because it is a question of fact as the bonds involved in this instance are the people's bonds and if he was acting in the capacity of a public official he could testify in that capacity at this time, but as an individual he couldn't. In his individual capacity he might testify concerning his individual business or the business of some firm or institution he was working for, but that is quite different to this kind of business for and in behalf of the people.

The Chair: That involves a mixed question of law and fact and is speculative.

Senator Purl: All right, I yield to the Chair.

The Chairman: I will sustain the objection.

Senator Purl: All right.

#### Questions by Senator Purl.

Q. Did you state in response to the question of the Senator from

Bell County that there was exactly a million dollar loss down there based on the figures given you?

A. No, sir, I said assuming there was two million dollars worth of bonds up there that under the present day's market there would be a million dollar loss. In other words, forty-five to fifty per cent loss if forced on the market now.

Q. Assuming that there is no other security backing this up?

A. Yes, certainly, I know nothing about what the other assets are.

Q. You mean that there has been a depreciation in the market price of these bonds to that extent since they were put up?

A. Well, I would state it to that extent. I don't know when they were put up.

Q. Just tell us in detail,—is it a paper loss?

A. Yes, sir.

Q. And that's all it is?

A. If you liquidate it today it would be an actual loss.

Q. But right now it's merely a calculation on your part?

A. Yes, sir, absolutely.

Q. And you don't pretend to say what will be the ultimate value of these bonds if they are allowed to work themselves out?

A. Senator, I wouldn't say what they might be worth thirty days from now.

Q. I want to ask you if you intend to place any responsibility on anyone connected with the State government as to the condition of the securities down there?

A. Senator, I wouldn't place any responsibility on anyone.

#### Questions by Senator DeBerry.

Q. Judge Sutton, are you fairly well acquainted with the values of School District Bonds in this state?

A. Depending on the district, Senator.

Q. I mean reasonably well acquainted with these bonds?

A. Yes, sir.

Q. Had considerable experience with them?

The Chairman: Senator, the witness has qualified as an expert on that and so you can ask him any question you want.

Q. Do you understand that the Board of Education as custodian of the permanent school fund had the

right to invest that fund in School District bonds?

A. Any bonds where the net debt does not exceed 7% of the assessed real estate values.

Q. Do you think that in the course of the past few years that the Board of Education has bought some bonds that have deteriorated in value enough so that if liquidation was forced at this time they would show an appreciable loss?

A. Certainly would.

Q. Would that loss be something in comparison to the loss suggested on these bonds under discussion?

A. No, sir, school bonds are worth at all times more than any bonds.

Q. Why are they so considered?

A. Just the view the public takes; they look upon school bonds as the very best bond that can be bought.

Q. At the present time do you know of any school bonds that are on the market now,—what is the lowest value that you would assign to any school bonds if they were forced to a liquidation today?

A. Senator, I would say an average of 80 cents.

Q. All of them would sell for that average?

A. Yes, sir, maybe better. I will illustrate. Take Crawford in McLennan County, they are in default right now, and the general public would not buy them for over 70 cents because they are in default, yet that is a good bond and that is due to a local banking situation.

Q. I am not talking about new issues now, particularly, as much as I am ones that are already out. Isn't there school bonds in this State today that are not worth 70 cents on the dollar?

A. Yes, sir.

Q. Other than those affected by bank failures?

A. Yes, sir.

Q. Isn't there some that is not worth fifty cents on the dollar?

A. I don't recall of any just now.

Q. The point I am trying to bring out is there is something like the same proportionate shrinkage taking place on these bonds as has on other bonds, that is, in so far as economic conditions have had anything to do with it?

A. In proportion to the bonds, yes, sir.

Q. Now, in other words, if all the

bonds today that are held by the permanent school fund of this State, if they were forced to liquidate today, they would likely show a very appreciable loss?

A. They certainly would, yes, sir.

Questions by Senator Sanderford.

Q. The State Education Department, or the State Board of Education, are legally permitted to buy and purchase and sell bonds, aren't they?

A. They are permitted to buy bonds, but not permitted to sell.

Q. They are permitted to purchase bonds?

A. Yes.

Q. Then you would say that Department of the State is legally in the bond business as far as purchasing is concerned?

A. Yes, sir, as far as purchases.

Q. Is there anything that permits the State Highway Department to indulge in the accepting of bonds in lieu of cash, or escrow agreements on bonds, do you know of any?

A. I know of nothing.

Q. They are not supposed to be in the bond business of any kind?

A. No, sir. I don't know of any law authorizing it.

Senator DeBerry: What is the answer to that?

A. I don't know of any law authorizing it.

Q. One or two more questions and then I'm through. The shrinkage in these bond values that has been testified to is not the main point in this inquiry that we are making. It is the flagrant abuse of good business principles that put that Department into the condition to where they had to — —

Senator Woodward: (Interrupting) I object to that.

Senator Sanderford: I am leading up to a question.

Senator Woodward: You are leading up to an argument.

Q. I will put the question another way. I am asking for your opinion as an expert. You have been in the County Judge business and have dealt with the State Highway Department and with the Security Trust Company, and handled bonds, and qualified as an expert. I want to ask your opinion as an expert on the procedure,—accepting the fact that all these escrow agreements

are up, and that the various counties have issued checks to the State Highway Department which they are now holding and which they have never presented to the Security Trust Company to be cashed and that that has now run past the two million dollar point in one Department, and that yesterday it was established as a fact that over 33 per cent of the escrowed bonds now are in defunct banks in Texas against which the State Highway Department hold checks that have not been presented,—as an expert isn't that the greatest abuse of good business principles that you ever saw?

Senator Woodward: I object to that as argumentative and trying to let the witness decide this case when we are the jury.

The Chair: I think so. I believe you are substituting him for the Senate, Senator.

Senator Sanderford: I think it would be a good thing to do it.

The Chair: I will have to sustain that objection.

Senator Sanderford: Then, that is all.

#### Questions by Senator Stone.

Q. It is customary in buying bonds to require that the purchaser of the bond shall be the special depository for that purchase?

A. No, sir.

Q. Wasn't that the custom of the Security Trust Company in their purchase of bonds, that they always required they should be the depository?

A. That is one way. They have nearly always done that.

Q. Did any other bond house that you know of have any such rule as that in purchasing bonds?

A. Well, yes, two of them.

Q. Two others?

A. Yes, sir.

Q. How many bond buyers usually came in to bid on bonds?

A. In the good old days about twenty-five to fifty.

Q. Twenty-five to fifty?

A. Yes, sir.

Q. If only two of them would put in a bid, why would that be?

A. Because it was a large issue and it would be divided up into what was called an account. In other words, the State is selling a million

dollars worth of bonds and there are ten men on the ground and each one wants a hundred thousand, and there would be only two bids filed and whoever got the bonds the account was divided up between them.

Q. The bond buyers ganged up on the public, is that it?

A. Sometimes, yes, sir.

Q. You just agreed in advance who was going to get them and put in a bid just enough to get them. Was there any discussion among the trade about the Security Trust Company always requiring in their purchases that they should be the depository?

A. There was some complaint about it, Senator.

Q. Do you know what their reason for that was?

A. Because they could take the money and carry the bonds with it.

Q. Explain that a little bit more.

A. Say, for instance, they bought a million dollars worth of Travis County bonds. They didn't have the million dollars in cash to pay for those bonds, but if they got the deposit one would offset the other until such time as they could sell the bonds, and they would sell them out about as fast as the county would need the money.

Q. Was it their uniform custom to always buy them on the installment plan?

A. No, sir, not always. They would issue to Travis County the date they paid for them—issue them a deposit slip for the one million dollars, secured by various bonds.

Q. And if they were a mind to they could put up anything they had in their vault to comply with the State depository law as security for that deposit?

A. If the county would permit, yes, sir.

Q. Was it usually understood in these purchases that they were going to be checked up very closely on the securities that they were putting up?

A. I couldn't answer that, Senator, because I don't know. Sometimes they were and sometimes they were not.

Q. Was it gossip among the bond buyers as to how they were getting by with these purchases? I am trying to find out how they worked this thing.

A. You understand, Mr. Cravens is my personal friend. There was considerable complaint about it because he could buy bonds when the rest of us couldn't.

Q. And he could do that by reason of the fact part of his purchase agreement was he would be the county depository?

A. Yes, sir.

Q. Have you any idea about how many bonds he was buying in that way?

A. No, I do not.

Q. About when did he start that system, do you know?

A. About 1928.

Q. That is the first time they put that wrinkle in of the purchaser being the county depository?

A. Yes, sir.

Senator Pace: I make a motion that we recess this hearing at this time until two o'clock p. m. Monday afternoon, at which time resolutions or motions will be in order as to the conclusion and termination of the work of the Committee of the Whole of the Senate.

The Chair: Just a minute. Any more questions to this witness? Mr. Sutton, you will be excused, with the thanks of the Committee. Now, state the motion.

Senator Pace: I move that we recess to two p. m. Monday at which time resolutions or motions will be in order as to the conclusion and termination of the work of the Committee of the Whole of the Senate. I will also state that I have talked to the gentlemen on both sides of this controversy and told them I was going to make this motion and there seems to be no objection to it.

Senator Holbrook: I think we could conclude here today.

The Chair: Has both sides closed this case?

Senator Stone: Nobody has announced closed.

The Chair: If there is no objection then, gentlemen, we will announce the testimony is concluded.

Senator Stone: No, sir.

Senator Sanderford: I would like to say that the Senate voted to go into this thing thoroughly. I have a number of witnesses over the State on excessive expenditures during July and August that I want to summon, and we want to have Mr.

Cravens here, and would like to have the State Banking Department before it is over, and the Highway Department, and it is not near concluded,—just getting started.

Senator Woodward: We probably will have Mrs. Ferguson Monday also to see what she knows about it.

The Chair: We have got all day tomorrow.

Senator Holbrook: I make a motion we subpoena the Governor.

Senator Woodward: I think she will probably come without being subpoenaed.

Senator Holbrook: She didn't. She refused the other day.

Senator Hornsby: There was no refusal about it. She didn't refuse.

Senator Hornsby: I make a motion the Committee adjourn until tomorrow morning at 9 o'clock.

The Chair: The substitute motion is that we adjourn until tomorrow morning at 9 o'clock.

Senator Purl: Before that, I want to ask unanimous consent of the Committee to have this statement included in the official record.

The Chair: All right. There is no objection.

Senator Purl asked unanimous consent of the Committee of the Whole to have the official records of this proceeding show as reported in the Journal on page 306 that the following:

"Senator Purl: 'No wonder the Highway Department has been so active in seeking to prevent the confirmation of Frank Denison for Highway Commissioner. For the same reason the Highway Department would oppose the confirmation of any other strong-minded and honest man of courage that the Governor might appoint. On with the battle'."

was an excerpt from the Ferguson Forum that Senator Purl was reading and was not an original statement made by Senator Purl, neither does it represent his views in any manner.

Senator Woodward: I would like to make this inquiry. As far as you gentlemen are concerned do you think you could conclude your part of it by tomorrow?

Senator Sanderford: No, sir.

Senator Woodward: That being true I would like to have the Secre-



tary notify the Governor we would like to have her up here at 2 o'clock Monday at this hearing. That is Governor Miriam A. Ferguson.

Senator Sanderford: I would like to remind the Senator from Coleman that the message sent up by the Governor did not make any direct charge of shortage and fraud and those things. That message just called to the attention of the Senate certain information, and the second message recited the authority for that. It left it with the legislative body to proceed as they saw fit, and the Senator from Coleman was the man that made the motion that we go into this matter and go into it thoroughly, and it is completely out of order to summon the Governor up here as a witness.

Senator Woodward: I am not summoning her. Instead of having her summoned I was making the request that she come.

Senator Sanderford: For what purpose?

Senator Woodward: To be interrogated as any other witness, just like all other governors of the State have appeared before committees.

Senator Sanderford: You have her information all set out in writing.

Senator Woodward: I want to see where she got it. You don't want to deny me the right to have the Governor of the State come before the Committee as all governors have in the past?

Senator Sanderford: Is that right?

Senator Woodward: Certainly. I have never known one that didn't come before a committee.

Senator Hornsby: I raise the point of order, Mr. Chairman, that the motion to adjourn is not debatable.

The Chair: We don't hold strictly to the parliamentary procedure here, Senator.

Senator Woodul: I think if anybody has anything to offer that it ought to go in the record. However, I think that we ought to try to get this hearing done as quickly as possible. In the language of Senator Pink Parrish, "Let's get something in here; if there is any blood and thunder, let's produce it and get done with it."

The Chair: The only thing I was interested in was not to waste tomorrow, if this hearing was going on. I think I will put Senator Pace's

motion first; it came in the shape of a motion to recess until Monday morning, and the substitute is to adjourn until tomorrow morning. The Chair doesn't want to show any disposition in this matter, but I would like for the substitute to prevail. Let's call the roll. Here is what I want to say — — —

Mr. Purl: Mr. Chairman.

The Chair: Mr. Purl.

Senator Purl: Here is what I want to say, if there is not going to be a quorum here tomorrow, let's find it out now by unanimous consent; let's ask those here how many of them will be here tomorrow if we adjourn until then, and if there is not going to be a quorum here then, let's put it off until Monday.

Senator Holbrook: The motion was made by the Senator from Coleman that the Secretary of the Senate be requested to ask the Governor to come up here as a witness on Monday at 2 o'clock.

The Chair: I heard the Senator make that request, and I think the Secretary will comply with it. I will ask him to.

Senator Woodward: The fact that we will recess this Committee until Monday won't mean that we won't be performing our duty as far as the State is concerned, because there are many things that we could all be doing tomorrow.

The Chair: Yes, sir, I understand that. Call the roll. You are voting now on recessing this Committee of the whole until Monday at 2 p. m.

(Thereupon the Committee of the Whole adjourned until 2 o'clock p. m., Monday, February 27th, 1933.)

### THIRTY-FIRST DAY.

Senate Chamber,  
Austin, Texas,  
February 27, 1933.

The Senate met at 10 o'clock a. m., pursuant to adjournment, and was called to order by President Pro Tem. Walter Woodul.

The roll was called, a quorum being present, the following Senators answering to their names:

Beck.	Fellbaum.
Blackert.	Greer.
Collie.	Holbrook.
Cousins.	Hopkins.
DeBerry.	Hornsby.
Duggan.	Martin.